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SEPARATION PAY

This report catalogs the various plans in the Federal Government for paying separation and severance benefits other than retirement benefits to individuals who are separated involuntarily.

In compiling this report, we reviewed a study of selection-out systems in the Federal Service prepared by the Civil Service Commission in May 1961, and examined a number of statutes and agency regulations currently affecting military, Foreign Service, AID, and other Federal employees. Then we have cross-checked our findings in telephone conversations with representatives of the CSC, AID, State Department, and the military services to be certain they are correct and up-to-date.

GENERAL

In each instance where separation pay is available to a Federal employee, the benefit is linked to a selection-out system. And in each case, except perhaps in CIA and AID where the situation is not so clear-cut, the personnel covered are employed in "formalized career" services, with career-oriented, rather than position-oriented, personnel programs.

The following agencies have authority to pay special benefits to the classes of personnel shown when they are separated involuntarily; and so far as can be determined these are the only agencies which currently have such authority:

1. Military Services - commissioned officers, both regular and reserve officers on extended active duty
2. Foreign Service - FSO's in class 7 and above
3. Public Health Service - commissioned officers in the assistant grade (equivalent to 1st Lt.) and above
4. AID - statutory authority for separation pay exists, subject to regulations which the President may authorize (but which have never yet been issued!)
5. CIA - employees 30 years of age or more who for the 5 year period preceding separation performed special services described [redacted] STAT

DESCRIPTIONS OF SEPARATION BENEFITS

MILITARY SERVICES

1. Statutory Authority - PL 87-507, 28 June 1962, which standardized systems among the services and granted reserve officers on extended active duty the same benefits as regular officers.

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2. Benefits - In general, a Commissioned Officer who has served 5 years or more on continuous active service and is separated involuntarily is entitled to 2 month's base pay of the grade in which he is serving at the time of separation, multiplied by his years of service, or $15,000, whichever is lesser.

3. Exceptions - The military services haven't yet completed all the regulations needed to spell out exceptions to the entitlement shown above. When the involuntary separation is for cause, regulations can be expected to reduce or even eliminate separation benefits, depending on the circumstances. The Air Force, for instance, has already provided that officers separated for inefficiency will get only ½ of one month's base pay for each year of service, up to a maximum of 9 month's base pay.

FOREIGN SERVICE

A Foreign Service Officer, if selected out, is entitled to an immediate retirement annuity or separation benefits and a deferred annuity, depending on his grade at the time of separation.

1. Class 1, 2, and 3 officers receive immediate annuities computed on the basis of 2% of average compensation times years of service - without any actuarial reduction based on age. No separation compensation is paid.

2. Class 4, 5, 6 and 7 officers receive a separation payment based on 1/12 current annual salary multiplied by years of service, up to maximum of 1 year's pay. This is spread over 3 annual payments.

PUBLIC HEALTH SERVICE

A commissioned officer passed over for promotion and separated may receive separation pay as follows:

1. Assistant grade (equivalent to 1st Lt.) - 6 month's pay and allowances

2. Senior Assistant grade (equivalent to Captain) - 1 year's pay and allowances

3. Full grade (equivalent to Major) and above - retired at rate of 2½% of base pay times years of service. No separation compensation is paid.

AID

PL 87-195, 4 September 1961, short title: "Act for International Development of 1961", which established AID, contains in section 625(e) the following authority:

"The President is authorized to prescribe by regulation standards or other criteria for maintaining adequate performance levels for personnel appointed or assigned [to AID] and may ... separate employees who fail to meet such standards or other criteria, and also may grant such personnel severance benefits of one month's salary for each year's service, but not to exceed one year's salary at the then current salary rate of such personnel."

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AID has never used the above authority, though it is now drafting regulations which would permit it to do so. These are expected to be published in about a year and we are told would restrict separation benefits to employees in AID's "foreign service." Significantly, benefits would extend to FSS as well as officer personnel - a feature distinguishing AID's system from that of the Foreign Service (and a feature which will undoubtedly be looked at by one of the Task Forces working on the Carter Report).

STAT

CIA

Employees eligible for separation benefits under provisions [redacted] receive an initial payment of 4 months salary at time of separation minus the gross amount of any lump sum payment for annual leave due. At the end of 6 months after separation and each 2 months thereafter, an additional increment may be payable. Each such increment consists of an amount equal to 2/3 of 2 month's salary at his former full salary rate less the sum of earned income and civil service retirement annuity received or accrued and any unemployment compensation received. The maximum payable is 1 year's base pay at time of separation not to exceed the top step of GS-14.

The CIA plan differs from other Federal plans in two respects: (1) separation pay can be granted in addition to annuities based on discontinued service, and (2) separation benefits, beyond initial payments, are offset by income received from any other sources.

MISCELLANEOUS

The Kaplan Committee on Retirement Policy for Federal Personnel in its 1954 report to the Senate recognized that special benefits are appropriate when employees are subject to selection-out procedures. And the number of agencies considering the adoption of such procedures is growing. However, except for the separation payment plans described above, the only efforts underway to compensate employees whose careers are cut short by involuntary separation seem to be along the lines of "early retirement"; persons who could not qualify for early retirement would get no special benefits apparently. USIA, FAA and FBI are three agencies which have demonstrated interest in selection-out systems coupled with early retirement; but none of these has, or has even sought, special benefits for employees who are separated involuntarily before reaching eligibility for early retirement. FAA is conspicuous in its failure to ask for such benefits because, when invited (in its enabling legislation) to recommend whatever improvements it considered desirable in its personnel program, it sought legislation in 1961 to set up a "career corps" for certain of its employees - with special pay, selection-out, and early retirement - but it did not seek authority to grant separation benefits.

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